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New Haven, Conn., April 11, 1914.

*To the Stockholders of the New York, New Haven and
Hartford Railroad Company:*

In view of the questions to be voted upon by the stockholders at the special meeting to be held in New Haven on April 21, 1914, particularly that relating to the proposed agreement with the Attorney-General of the United States, to which your Directors unanimously recommend your approval, the following statement is submitted so that the stockholders may have information, not only about the proposed agreement but also as to the general situation confronting the Company at this time.

HOWARD ELLIOTT,
Chairman.

Action Taken Since the Report of the Interstate Commerce Commission.

On June 20th, 1913, the Interstate Commerce Commission made public its report entitled "The New England Investigation in the matter of rates, classifications, regulations and practices of carriers".

In that report, there is the following paragraph:

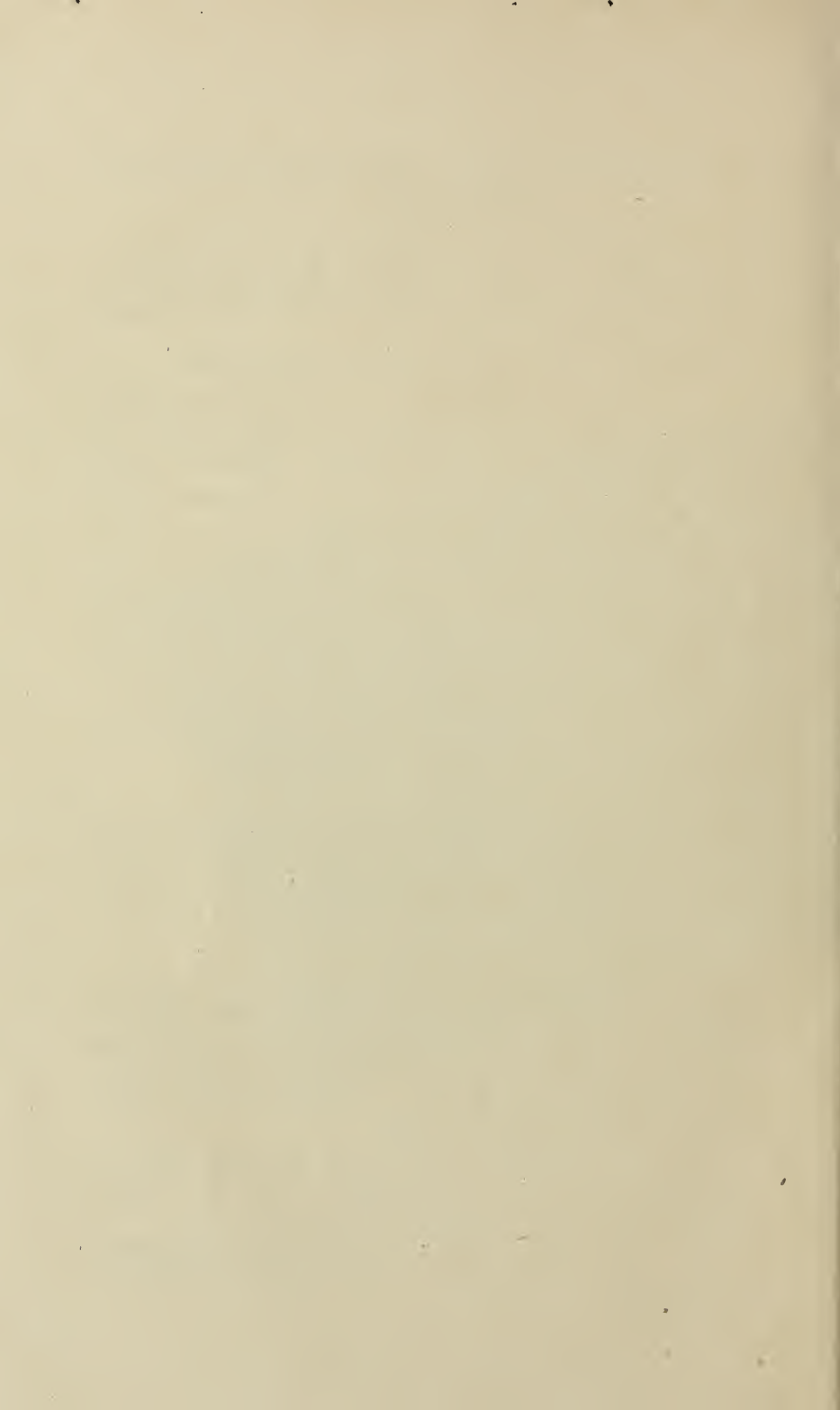
"What is needed first of all to improve the railroad situation in New England is rest and an opportunity for constructive work. There is much truth in the claim of these carriers that they have been so occupied with investigations and so criticized by the public that no fair opportunity has been given for the operation of their railroad properties. No railroad management can succeed without the support of the public which it serves. It must never be forgotten that the railroad is a public servant in fact as well as in name, and that the service which it renders depends largely upon the treatment which it receives from its master."

In an effort to conform to the suggestions in the report of the Commission, to improve the general situation, and with the hope and belief that a fair opportunity will be given for the operation of the properties, the directors have taken the following action:

1. A change in the management of the New Haven Company by the selection of Mr. Howard Elliott and Mr. James H. Hustis, who now fill the positions of Chairman of the Board of Directors and President respectively, coming into the management September 1st, 1913.

2. The selection of Mr. John B. Kerr, on September 18th, 1913, as president of the New York, Ontario and Western Railway Company.

3. The selection of Mr. L. S. Storrs, on December 24th, 1913, as President of the Connecticut Trolley Company.



4. The selection of Mr. A. E. Potter, on December 27th, 1913, as President of the Rhode Island trolley company.

5. The cancellation, on February 1st, 1914, of the so-called "traffic agreement" between the New Haven and the New York Central in regard to the Boston and Albany.

6. The withdrawal, on January 24th, 1914, by the New Haven Company from the Board of Directors and the management of the Boston and Maine.

The re-organized managements of these properties with their independent presidents and officers have been perfecting many details of the organization, so as to promote efficiency, safety, and every economy consistent with the reasonable up-keep of the property, and to gain the support and confidence of the patrons, the public and the employees of the road.

Pending Investigations.

On February 7, 1914, a resolution was passed in the Senate of the United States, as follows:—

“RESOLVED, That the Interstate Commerce Commission be requested to make public the facts in its possession concerning the financial transactions of The New York, New Haven and Hartford Railroad Company, and, so far as it may be necessary, to get additional information to thoroughly cover the subject, to re-open its examination of the affairs of that company and to make a further investigation of its financial transactions, with a view to ascertaining:

First. What became of the funds of said company invested in the various enterprises and corporations mentioned in the opinion of the Interstate Commerce Commission, numbered twenty-three hundred and eighty-four, case numbered forty-eight hundred and forty-five, entitled ‘The New England Investigation in the matter of rates, classifi-

cations, regulations, and practices of carriers', submitted May twentieth, nineteen hundred and thirteen, and decided June twentieth, nineteen hundred and thirteen.

Second. Whether the person or persons authorizing such investment of the funds of said company and the person or persons receiving the benefit thereof are liable to punishment under existing laws.

Third. Whether under existing law, such funds so invested can be recovered on behalf of the stockholders of said company.

Fourth. What legislation, if any, is necessary to prevent the recurrence of similar transactions."

The Company has been investigating some of the subjects under inquiry by the Commission and all information in its possession has been given to the representatives of the Commission with request that they report promptly. As the Commission has these matters in hand the Company feels that it should make no public statement until the Commission makes its report.

Rules for Safety and Relations With Employees.

The North Haven accident of September 2nd, 1913, following as it did, other serious accidents, made it imperative that the rules and regulations of the company be of such a character as to safeguard to the greatest extent possible the lives of the public and the employees.

For some time previous to this accident negotiations had been conducted with committees representing the engineers and firemen to revise rules which were not in accordance with modern railroad practice. The new management felt that it owed a duty to the public as well as to the employees to put the new rules into effect at once. The engineers and firemen felt aggrieved at this position of the company and voted to strike. On October 18th, 1913, however, the matter was adjusted amicably with the employees, and rules containing the principles for which the management contended remained in effect.

These negotiations, in the judgment of your officers, tended to establish a better understanding and improved relations between the employees and the management, and have assisted materially in restoring confidence throughout the service. Every effort is being made by officers and men to promote a spirit of helpful cooperation, so necessary to maintain and operate the properties efficiently, safely and economically, and to give good service to the public.


The Immediate Financial Situation.

In 1913 the Company had a very large floating debt, because of the Massachusetts law prohibiting any funded debt exceeding in amount the paid in capital of the Company. This law was changed in July, 1913, so as to permit the issue of bonds to an amount equal to twice the amount of the capital stock.

In order to fund the floating debt under this new law and to provide for the purchase of steel passenger cars and for other improvements the Directors in July, 1913, arranged for an issue of six per cent. convertible debentures to the amount of \$67,552,000. to be offered to the holders of the stock and the convertible debentures of the Company. General financial conditions at that time were not favorable, and in order to make certain that the Company would have its money when needed the Directors caused this proposed issue of debentures to be underwritten. The stockholders approved this arrangement at a meeting August 22, 1913.

The issue of these debentures though opposed before the Public Service Commission of Massachusetts, was on October 14th, 1913, finally approved by that commission. An appeal was taken from this decision to the Supreme Court of Massachusetts, which on January 9th, 1914, decided that the law of Massachusetts did not permit the issue of debentures convertible into stock.

There were \$40,000,000 of notes to meet on December 1, 1913, and \$5,000,000 of bonds on February 1, 1914. There-



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fore it became necessary pending the decision, to borrow on Nov. 18, 1913, these sums and later other amounts to pay for new equipment and for improvements which could not be stopped or postponed. Today the company must prepare to meet notes maturing prior to July 26th, 1914, of nearly \$54,000,000 of which the most important are the 6% notes of November 18th, 1913, amounting with interest and discount on May 18th, 1914, to \$46,550,000.

Estimated Results for Current Fiscal Year.

The general business conditions in New England and particularly on its railroads have been most unsatisfactory, resulting in large decreases in both gross and net earnings. For the eight months ending February 28, 1914, there is a decrease in net income of \$4,735,478.83, compared with the previous year, after allowing for operating expenses, taxes, interest, rentals and other fixed charges. Based on the results for two-thirds of the year an estimate has been made for the fiscal year ending June 30th, 1914, which indicates that for this period there will be only a small surplus after paying fixed charges.

Reasons for Decrease in Income.

There has been a heavy decrease in earnings due to general business conditions.

There has been an increase in Transportation expenses due to increased rates of pay, to heavy damage claims and unusual expenditures because of the accidents in 1913, to increasing demands from the public and the public authorities for service and to more severe weather conditions.

An increase in Maintenance of Way expenses due to some increase in rates of pay, to work that should have been done early in the year 1913, and to more work upon improved signals, all of which are necessary for safety.

An increase in Maintenance of Equipment expenses due to increased rates of pay, to a change in the method of charging depreciation (which results in an additional annual charge to operating expenses of \$500,000.), to re-

pairs on freight cars purchased in 1906, 1907 and 1908, now requiring heavy work to keep them in suitable condition, and to deferred work on electrical equipment.

A decrease in revenue from Outside Operations due almost entirely to the loss of revenue from parlor and sleeping cars because of the transfer of this service to the Pullman Company. The contract was made with that company in order to provide immediately steel parlor and sleeping car equipment and to relieve the New Haven Company of a very large investment for such equipment. All parlor and sleeping cars are now of all-steel or steel-under-frame construction and practically all coaches in the through New York-Boston trains are of steel.

A decrease in Other Income due to a decrease in or cessation of dividends from the New York, Ontario and Western, from the trolleys, and from the steamships, as these companies are affected adversely by the same causes that affect the New Haven Company; also to a smaller amount of interest on bank balances due to smaller deposits carried by the company.

An increase in Fixed Charges, Rentals, etc., estimated as follows:

Rentals	\$387,100	increase
Miscellaneous Taxes.....	10,600	"
Boston Holding Company (on account of no dividends from Boston & Maine).....	615,500	"
New York, Westchester & Boston guarantee.....	86,200	"
Boston and Albany Agreement.....	103,100	"
Interest on Loans (on account of increased amount of short term notes, bearing 6%).....	1,008,600	"
Miscellaneous	49,000	decrease
		<hr/>
Total increase	2,162,100	increase.

The increase in rentals is due largely to the constantly increasing investment in the Grand Central passenger terminal at New York. In 1903 the payment made by the New Haven Company for the entrance to New York City and for the use of the passenger terminal was \$1,038,182. For the year ending June 30th, 1913, it was \$2,983,969, or about 30c for each passenger. The cost will be more for the year ending June 30th, 1914.

Increases in Rates of Pay

Reports to the Interstate Commerce Commission for three periods five years apart show as follows:

Year	No. of men employed June 30	Total Compensation.	Average yearly wages based on No. of men employed June 30
1903	31,028	\$19,659,087	\$633.59
1908	31,735	23,876,652	752.38
1913	34,521	28,151,433	815.49
Increase in number of men employed—1913 over 1903—11%			
“ “ total compensation —1913 over 1903—43%			
“ “ average yearly wage —1913 over 1903—29%			

During the fiscal year ending June 30, 1914, the increases in rates of pay will have increased the total payroll about \$800,000 over the previous year. The greater part of these payroll increases have been the result of awards under the Federal arbitration acts. If the same rates of pay had been in effect in 1913 as in 1903, the total payroll for the year would have been approximately \$7,200,000 less.

Legislative Acts and Requirements

The Federal Nine-hour Law, the Ash-Pan Law, the Safety Appliances Law, the Boiler Inspection Law and the Full-Crew Law, have increased the expenses of the company nearly \$200,000 per year.

The cost of accounting ten years ago was \$190,000. per year. At the present time it is about \$500,000. per year. While the increase in business has had its effect on accounting cost, part of the increase is due to the accounting requirements of the Interstate Commerce and State Commissions.

The recent Federal Act requiring the valuation of railways will increase the expenses of this company about \$60,000 per year for several years.

These facts about increased rates of pay and the requirements by the government are not referred to in a spirit of criticism, but to show the effect they have on the income of the Company.

If, however, the people through their governmental agencies impose these expenses upon the railroads they must provide the money with which to meet them by increasing the rates.

Electrification

The electrification of the road between New York and New Haven has been very costly, and until the work is completed and full electric service is in operation any possible economies cannot be realized. Any further electrification must be postponed because of lack of capital.

Freight and Passenger Rates.

While the company has had to add constantly to its capital investment and to increase its operating expenses, the freight rates, on the whole, have remained stationary or have decreased. In ten years, there has been a reduction of 69/1000 of a cent in the average rate received for hauling two thousand pounds one mile. This very small sum, applied to the freight business of the New Haven road for the year ending June 30th, 1913, would have increased freight earnings \$1,800,000.

The increase in wages and the decline in freight rates alone make a difference of over \$9,000,000 a year in income, equal to six per cent. on \$150,000,000. of capital.

The New Haven road is unusual in the relation between its freight and passenger business. Considering the railroads of the country as one system, two tons of freight are carried for each passenger, but on the New Haven only one-third of a ton is carried for each passenger.

During the first eight months of this fiscal year the earnings from passenger trains were 50.6% and the earnings from freight trains 49.4% of the revenue from transportation service. In the same period the average cost (including taxes) of running all trains one mile was \$2.12. The revenue per passenger train mile was \$1.90 and per freight train mile \$4.17. The passenger train mileage is about double the freight train mileage, so that the disadvantage of the

New Haven as compared with roads having relatively more freight train mileage is apparent. The passenger train mile revenue is adversely affected by the large proportion of passengers carried on "commutation" and "trip" tickets. These passengers comprise 43% of the total passengers carried, and they yield but 13.6% of the total passenger revenue.

Because of the low passenger fares, both through and local, and because of the increasing costs of the service, much of the passenger train service, is operated for the convenience of the public at a loss. Taken as a whole the passenger train service, just about pays its operating expenses but does not contribute anything directly to taxes and interest. The fairness of increasing passenger rates, therefore, is obvious.

The average revenue from each passenger carried one mile on the New Haven road is only 1.77 cents and the average payment per passenger is only 32 cents. This low average is due to the large number of passengers carried in suburban territory at rates which range from one-half cent to one cent per mile.

At the same time the expenses of this commutation traffic are particularly heavy on account of the very burdensome cost of the passenger terminals both at New York and Boston. Notwithstanding the extremely low commutation rates the efforts of some of the public authorities have been to reduce them still further. The Public Service Commission of New York ordered substantial reductions in the very low commutation rates between New York suburban points and New York City. The Supreme Court of New York set aside this order, but the New York Legislature, which has just adjourned, passed on act making the same reductions.

Mail and Parcel Post

The company is underpaid for the carriage of mail and parcel post. For the carriage of mail and for other services performed by this railroad for the Post Office Department, the government is now paying about \$725,000. per annum.

This amount includes \$21,000. for the parcel post. This is 9% less than the payments made for the mail service during the four-year period ending June 30, 1909, when the parcel post was not in operation. A study by chartered accountants made three years ago indicated that \$1,400,000 was approximately the sum to which the company was entitled for carrying the mail. Instead, it was receiving about half that sum and since then the parcel post has been added with no corresponding increase in pay, on account of which the railroad is receiving at least \$700,000 per year less than it is fairly entitled to for carrying mail and parcel post. In addition, the railroad suffers a further loss in its express earnings because of the effect of the parcel post on the business of the express companies. Express revenues are also adversely affected by the lower rates prescribed by the Interstate Commerce Commission, effective February 1st, 1914.

Grounds for Encouragement.

In considering the estimate of the financial results for the current fiscal year three things must be borne in mind:

First: The estimate is thought to be conservative.

Second: The position of the Company with respect to the decrease in net revenue is not peculiar. The New Haven, with all other railroads in eastern territory, has suffered a decline in its revenue with many increases in expenses which are beyond the control of the management. For the seven months' period ending January 31st, 1914, compared with the same period one year ago, the loss in net operating income on thirteen of the important lines in eastern territory, and the amount of each dollar of gross earnings absorbed by operating expenses and taxes, are as follows:

Road.	Per Cent of Operating Rev. taken by Operating Expenses and Taxes.		Decrease in Net Operating Income Compared with Same Period last year.	
	1914	1913	Decrease	Per Cent.
N. Y., N. H. & H.....	76.7	70.8	\$3,446,620	26.9
New York Central (Inc. B. & A.)	80.9	76.5	3,160,002	19.3
Philadelphia & Reading.....	67.1	60.4	2,741,966	22.4
Baltimore & Ohio.....	76.2	72.9	2,227,430	13.9
Erie	75.1	68.6	2,222,816	22.3
Pennsylvania	78.5	76.5	1,979,615	8.0
Central R. R. of N. J.....	67.3	59.7	1,557,336	22.3
Boston & Maine.....	83.5	80.4	982,276	16.7
Lackawanna	66.5	63.8	843,491	9.1
Delaware & Hudson.....	66.7	61.7	749,316	13.7
Boston & Albany.....	79.1	73.8	528,876	19.5
N. Y., O. & W.....	75.6	69.1	436,936	24.6
Long Island.....	76.5	75.2	374,433	17.5

Third: Prolonged agitation about the Company and its management, causing demoralization and loss of efficiency; serious wrecks; falling earnings; increased wages and costs; higher rates for money; work done and investments made for the future with no adequate return at present; demands for more elaborate service and facilities; uncertainty about the relations with the Government; all form a combination of adverse circumstances not likely to be repeated.

The New Haven road is a great property with many elements of strength. It serves an active, prosperous people and many industries, and in times of fair business throughout the United States, has great earning power. With a resumption of business—with confidence restored—with help from State and Federal authorities, the results should be much better.

Negotiations With the Department of Justice.

During the month of September, 1913, information was received which resulted in a conference on September 23rd between the Attorney-General of the United States and Mr. Elliott about a suit contemplated by the Federal Government to dissolve the New Haven system.

On October 3rd, the directors appointed committees to investigate and report upon the Connecticut Trolleys, the Rhode Island Trolleys, the Steamships, the Boston and

Albany agreement, the Massachusetts Trolleys, the Boston & Maine, and to confer with the Attorney-General.

On October 9th, this latter committee (Howard Elliott, chairman, T. DeWitt Cuyler, and A. T. Hadley) called upon the Attorney-General and the Interstate Commerce Commission and explained the active work being done by the directors about the serious and complicated questions raised in the report of the Interstate Commerce Commission and by the Department of Justice.

During October, November and December, these committees did a great deal of work, called in a number of experts, and there were numerous interviews between representatives of the company and of the Department of Justice.

Demands of Department of Justice.

On December 13th, in answer to a request of the Company, the Department of Justice made the following statement:

“Suggestions as to Demands to Be Made on New Haven:

1. That the New Haven absolutely part with its stockholdings in the Boston and Maine.

2. That the arrangement between the New Haven and New York Central, as to the Boston and Albany, be cancelled.

3. That the New Haven part with all steamboat holdings.

4. That the New Haven part with all its trolley holdings.

5. The New England Railroad Company as it originally existed when taken over by the New Haven, to become an independent system and operated as such.”

Reply by New Haven

These demands were considered carefully by the directors and on January 6th, 1914, Mr. Elliott suggested to the Attorney-General as a basis of settlement that the New Haven would:

1. Part with its interest in the Boston and Maine.

2. Cancel the arrangement about the Boston and Albany.

3. Leave the question of steamship holdings to the Interstate Commerce Commission as per conversation with the Attorney-General on December 13, 1913, except that it was ready to part with its interest in the Merchants and Miners Transportation Company and the Eastern Steamship Corporation.

4. Part with its interest in the trolleys in the States of Massachusetts and New York.

5. As to the Connecticut and Rhode Island trolleys:

The New Haven believes that it should retain the so-called Connecticut and Rhode Island trolleys, for reasons already explained verbally.

These properties are intrastate, and do an intrastate business and they are most important agencies for the general development in Connecticut and Rhode Island of the agricultural, commercial, and manufacturing business of those states. They are very intimately associated with the New Haven Road as such, and they are a distinct help in connection with the New Haven Road in building up and handling the local business of those states.

The Department has stated that it did not wish to cause any greater loss of values and greater harm to the business of New England, and of her transportation system, than was reasonably practicable.

A plan such as suggested in this memorandum, if a reasonable time is allowed for liquidation, will bring about most of the results desired by the Department, with a minimum amount of harm to that section of the country and to its transportation interests, which, just now, need all the consideration and aid that they can obtain from any source.

Plan of These suggestions were not acceptable to the Attorney-General, and
January 10, 1914 after another meeting of the Board of Directors Chairman Elliott and Director Arthur T. Hadley were authorized and instructed to return to Washington and arrange, if possible, a plan of settlement. This was done on January 10, as per the following:

“Memorandum Outline of Solution of New England Transportation Problem.

1. The securities (stock, bonds and obligations) of the Boston Railroad Holding Company now belonging to the New York, New Haven and Hartford Railroad Company are to be put in the hands of liquidators or trustees, with direction and authority to dispose of all stocks of the Boston & Maine Railroad within the time and in the manner to be agreed upon.

2. The New York, New Haven and Hartford Railroad Company shall dispose of all stock and other obligations held by it in all leased lines of the Boston & Maine Railroad within the time and in the manner to be agreed upon.

3. The agreement between the New York Central and Hudson River Railroad Company and the New York, New Haven and Hartford Railroad Company for the operation of the lines of the Boston and Albany Railroad is to be canceled.

4. The New York, New Haven and Hartford Railroad Company shall dispose of all stock and other obligations held by it in the Merchants and Miners Transportation Company, Eastern Steamship Corporation, and Maine Steamship Company, within the time and in the manner to be agreed upon.

5. The New York, New Haven and Hartford Railroad Company shall dispose of all stock and other obligations held by it in the New England Steamship Company and the Hartford and New

York Transportation Company within the time and in the manner to be agreed upon, except in so far as its petition, heretofore filed with the Interstate Commerce Commission under the Panama Canal Act, may be granted.

6. The question of the disposition of wharves and terminal facilities acquired by the New York, New Haven and Hartford Railroad Company in its acquisition of various boat lines to be settled hereafter.

7. The New York, New Haven and Hartford Railroad Company shall dispose of its interest in the
New York & Stamford Trolley System
Westchester Street Trolley System
Connecticut Trolley System
Rhode Island Trolley System
Massachusetts Trolley System

within the time and in the manner to be agreed upon.

8. An agreed decree is to be entered in the United States District Court for the Southern District of New York, embodying and enforcing the details of the contemplated agreement finally reached.

9. The above is intended as a mere outline of the understanding reached between the Government and the New York, New Haven and Hartford Railroad Company that the latter shall be completely divorced from the ownership and management of all properties above referred to.

The Department of Justice recognizes the obligation incumbent upon directors to conserve as far as circumstances permit the value of stockholders' property and protect those stockholders from the consequences of past acts; and so far as it properly may, will endeavor to aid the directors in discharging those obligations. The New York, New Haven & Hartford Railroad Company assents to the above plan in the interest of a peaceful solution of the so-called 'New England Railroad Situation'. It does not desire this action to be construed as an

assent to or dissent from the principles of law involved or the commercial wisdom of the proposed plan.”

The directors ratified the memorandum on January 15th and authorized the employment of Messrs. Moorfield Storey of Boston, Walker D. Hines and John W. H. Crim, of New York, as special counsel to assist Chairman Elliott in completing the details of the negotiation.

On February 2nd a form of trust deed and names of trustees for the Boston Holding Company stock were submitted to the Attorney-General. He thought it necessary to consult with the authorities of Massachusetts, and later the authorities of New Hampshire desired to be heard. All of this negotiation took much time but finally on Saturday, March 21st, an agreement was reached as outlined in the following statement prepared by the Attorney-General:

“Memorandum of the Situation in Respect of the New York, New Haven and Hartford Railroad Company.

**Agreement
of March 21.**

The Attorney-General has indicated to the representatives of the New York, New Haven and Hartford Railroad Company the arrangements which he thinks would result in bringing the affairs of that Company into harmony with law. The representatives of the Railroad are willing to accept the requirements indicated and to endeavor to put them into effect without delay if approved by the stockholders in a meeting to be called at once.

The indicated arrangements, stated in general terms, follow:—

1. The Boston Railroad Holding Company is a Massachusetts corporation holding a majority of the stock of the Boston & Maine Railroad, and ninety per cent of the former's stock, in turn, is owned by the New Haven Railroad. The charter of the holding company prohibits it from disposing of the Boston

and Maine stock. The legislature of Massachusetts will be asked to remove this prohibition and, if this is done, the stock of the holding company will be transferred at once to five trustees, and after arrangements have been made to protect the minority stock of the holding company, they shall sell the Boston and Maine stock, prior to January 1, 1917.

2. The stocks of the companies which control the Connecticut and Rhode Island trolleys will be placed in the hands of trustees—five for each state—and shall be sold within five years from July 1, 1914.

3. The majority stock of the Merchants and Miners Transportation Company, now held by the New Haven Railroad, will be placed in the hands of three trustees and shall be sold within three years from July 1, 1914.

4. The minority stock in the Eastern Steamship Corporation held by the New Haven Railroad shall be sold within three years from July 1, 1914, and in the meantime shall be deprived of voting power.

5. Whether the New Haven Railroad shall be permitted to retain the Sound Lines will be submitted to the Interstate Commerce Commission for determination under the provisions of the Panama Canal Act.

6. The Berkshire trolleys shall be sold within five years from July 1, 1914.

7. A decree embodying the foregoing shall be entered in the United States District Court for the Southern District of New York. The decree shall further provide that upon application of the New Haven Railroad or the Trustees, and for good cause shown, the time within which any of the above-mentioned stocks shall be sold may be extended by the Court.

Trustees satisfactory to all parties have been suggested. Those proposed in connection with the Boston & Maine stock have signified their willing-

ness to serve and their names are: Marcus P. Knowlton and James L. Doherty, of Springfield, Mass.; James L. Richards and Charles P. Hall, of Boston, and Frank P. Carpenter, of Manchester, N. H. Names of the others will not be made public until acceptance by them is fully assured.

The essential reason for placing the properties in the hands of trustees is to secure their immediate independent management.

The outlines of the proposed decree and trust agreements have been discussed and are understood. Their verbiage remains to be worked out, but no difficulty is anticipated in that respect.

This statement has the approval of both the Attorney-General and the representatives of the Railroad."

The Attorney-General insisted that the holding of the properties named was contrary to law, but throughout the negotiations realized the seriousness of the situation and expressed an earnest desire to adjust it with the minimum amount of disturbance to business and loss to the stockholders of the New Haven road.

General Conclusions.

This recital of conditions to be met and dealt with by the directors and management indicates some of the difficulties of the situation and must be considered in deciding what the Company can do.

Suggestions have been made within the last few weeks by the press, by a limited number of stockholders and by various commercial organizations, that the Company should have let the Attorney-General of the United States bring a general dissolution suit instead of making an amicable adjustment.

If the financial plans of the Company had not failed, if general business and the earnings of the Company had not shown such discouraging decreases, and if there had been

a general friendly sentiment and feeling of confidence throughout New England towards the Company, the directors might have been justified in contesting the Government's right to insist upon the dissolution demanded.

Under the conditions, however, confronting the Company the Directors felt that a lawsuit, with attacks which would, without doubt, have followed from other sources, would have resulted in a receivership of the property. The Directors have felt that it was their duty to the stockholders and to the people of New England to do everything within reason to avoid this, believing that the results of a receivership, with its complications, entanglements, and delays would be disastrous, not only to the properties of the Company, but to the commercial, industrial and financial welfare of New England.

It is believed that the information contained herein as to the unfavorable business conditions, and the serious and difficult character of the Company's financial necessities, will aid the stockholders in understanding why the Directors feel that it is to the interest of the stockholders and of the people of New England to make this adjustment with the Government.

The business of New England cannot prosper unless the railroads can be supported so as to furnish the facilities needed, and the railroads cannot do this unless the business of New England is in a healthy condition; the two must, of necessity, act and react on each other.

Today no improvements are being made except those absolutely necessary for safety, and work already authorized is stopped or postponed wherever possible. Service is being curtailed as much as possible and every economy consistent with safety, reasonable supervision and service is being pushed.

In round figures, the properties under discussion represent upon the Company's books more than \$135,000,000 of value.

The report of the Interstate Commerce Commission on June 20th, 1913, said, in regard to the outside properties of the New Haven:

“They are for the most part of substantial value and in many instances are a kind of property the value of which should improve. The financial condition of the Company calls for careful consideration and prudent action but gives no occasion for hysteria.”

Your Directors, therefore, hope that with reasonable time the assets of the Company can be preserved, the earning power restored, the physical condition improved, and the Company made what it should be, a great and useful servant of the people of New England, at the same time paying a return to its owners.

The real question today is not whether it was wise or right to have acquired the various properties under discussion, but to have a policy adopted now by the Company, by the people whom the various properties serve, by the officers and agents of the Government both State and National, and by the press, that will help to prevent conditions that might bring about an industrial and financial crisis—a policy that would at least give a chance to save a situation filled with perplexities.

Your Directors, by unanimous vote, recommend that you approve the arrangement with the Attorney-General. It should stop the charge that the Company is openly violating the law and should make it easier for the Company to take care of maturing obligations and to provide additional capital for needed improvements in signalling, bridge renewals, additional tracks, equipment and modern engine terminals. It should also permit the officers of the Company to devote their time and energies to the management of the property, to overcoming the ill effects of long continued criticism, and to bringing about a restoration of that confidence which is so essential to efficiency.

The security holders of the New Haven and its associated companies (as now constituted) number at least 60,000, and the employees about 90,000; with those dependent upon them they represent more than 600,000 people or

about one-eleventh of the population of New England, and their rights and interests should be considered carefully by representatives in legislative halls and executive positions.

The six New England states have one-fourteenth of the population of the nation, one-twelfth of the national wealth and one-sixth of the bank deposits and consume one-eighth of the materials of manufacture. They must have first class railroads.

The time has come for holders of securities, employees, all true friends of New England to use their influence to help the transportation system by insisting upon helpful cooperation and fair treatment from all; and by insisting that rates for freight, passenger, mail and parcel post are sufficient to pay modern wages and taxes, give safe and adequate service, permit necessary additions and improvements to be made, and pay a good return to the holders of the securities.

APPENDIX.

LIST OF STOCKHOLDERS.

THE NEW YORK, NEW HAVEN AND HARTFORD RAILROAD COMPANY.

CLASSIFICATION OF CAPITAL STOCK,

— as of —

JANUARY 1, 1914.

Shares held by States :		1914	1913	1912	1911	1910 May 1.
Massachusetts,	573,782	36½%	35%	35%	—	36%
Connecticut,	288,624	18½	19	19	—	17
New York,	502,646	32	33	34	—	35
Rhode Island,	42,949	3	3	3	—	3
Miscellaneous,	163,178	10	10	9	—	9
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	1,571,179	100	100	100		100
Treasury,	228,991					
Total issue,	1,800,170					

Number of Stockholders by States :		1914	1913	1912	1911	1910 May 1.
Massachusetts,	12,238	47%	48%	48%	—	51½%
Connecticut,	5,936	23	23	23	—	20
New York,	4,110	16	15	15	—	14½
Rhode Island,	821	3	3	3	—	3½
Miscellaneous,	3,135	11	11	11	—	10½
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	26,240	100	100	100		100

Distributed as follows :		1914	1913	1912	1911	1910 May 1.
1 to 10 shs. inc.	11,860	9,314	8,698	—	—	—
11 " 50 " "	9,661	9,685	8,626	—	—	*13,006
51 " 100 " "	2,405	2,348	2,295	—	—	1,880
101 " 500 " "	1,961	1,995	2,101	—	—	1,942
501 " 1,000 " "	201	228	216	—	—	138
1,001 and over,	152	146	170	—	—	93
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	26,240	22,716	22,106	18,652		17,059

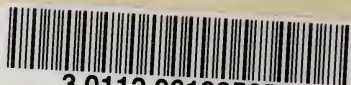
Number of Stockholders :		1914	1913	1912	1911	1910 May 1.
Males,	10,712	8,185	8,079	—	—	5,746
Females,	11,034	10,102	9,710	—	—	7,797
Trusts & Guardianships,	3,663	3,666	3,584	—	—	3,018
Ins. Cos. & Other corps.	831	763	733	June 1		498
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total,	26,240	22,716	22,106	18,652		17,059

Average Shares Per Stockholder :

	1914	1913	1912	1911	1910
	59.9	69.06	71.32	71.67	71.44

Secretary's Office,
March 6th, 1914.

* 1 to 50 shares inclusive.



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